
RELATIONSHIP WITH SYNAPTICS

This section includes information relating to Synaptics, unless otherwise stated, is extracted from the iSuppli Touch Report and other publicly available sources including the websites of Synaptics and the public filings of Synaptics (including its annual report for the fiscal year ended 30 June 2009 and its listing document). Our Directors have taken all reasonable care to ensure that the relevant facts in this section are accurately reproduced from relevant sources. The facts and statistics in this section have not been independently verified by our Company, our Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering. None of them makes any representation as to the accuracy or completeness of such information which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

Touch pad supply chain

The touch pad supply chain consists of (a) IC suppliers, (b) touch pad manufacturers, (c) touch pad vendors, (d) ODMs/OEMs of notebook computers and consumer electronics and (e) consumer electronics brands. Our Group is a touch pad manufacturer in this supply chain.

There are a number of touch pad IC suppliers in the industry, including Synaptics, our major customer. Some suppliers produce their ICs whilst others out-source the production of their ICs.

Touch pad manufacturers, will either purchase or, in the case of our Group, be consigned with ICs by the IC suppliers for manufacturing purposes. Touch pad manufacturers, including our Group, assemble and sell touch pads to touch pad vendors such as Synaptics, who then sells such touch pads to ODMs/OEMs of notebook computers and other consumer electronics.

Whilst our Group is a touch pad manufacturer in the supply chain, Synaptics performs the dual roles in (i) developing and supplying the ICs and (ii) procuring touch pads from manufacturers such as our Group and selling the same to the ODMs/OEMs of notebook computers and other consumer electronics.

Our single largest customer – Synaptics

Over the Track Record Period, we heavily relied on our single largest customer, Synaptics, for our sales and revenue. The sales of touch pads and other products to Synaptics accounted for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three years ended 31 December 2009. For the fourth quarter of the year ended 31 December 2009, sales to Synaptics accounted for approximately 60.5% of our revenue. We produced capacitive touch pads, multimedia buttons and touch screen components for Synaptics. We believe that we are one of the key suppliers and contract manufacturers of Synaptics' touch products.

Our Directors believe that given our over 10-years' business relationship with Synaptics, our production know-how, the quality and cost structure of our products, which have met the requirements of Synaptics and its customers, it favours both parties to continue their long-term course of dealings. Although we do not have a formal long-term agreement with Synaptics, given its market position in the touch product industry and the fact that there are only a few leading players in the industry, it is our practice not to provide similar manufacturing services to its competitors.

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Background of Synaptics

Synaptics has been listed on NASDAQ since 2002 and is regulated by the Securities Exchange Commission, an agency created by the U.S. Securities Act and the Securities Exchange Act of 1934 which regulates the securities industry in the United States. Its current headquarters is situated in California, the United States.

According to the iSuppli Touch Report, Synaptics is the leader in touch product sales (PC and mobile devices segment taken as a whole). For the period from 2004 to 2008, Synaptics accounted for approximately 85.8%, 67.0%, 66.9%, 62.9% and 59.1% of the annual worldwide touch pad revenue, and there are five other leading touch pad vendors, which accounted for approximately 1.4% to 23.5% of market share in terms of worldwide touch pad revenue in 2008. For the PC touch pad segment alone, Synaptics shared approximately 75% of annual revenue worldwide in 2008. We also believe that Synaptics has the following competitive advantages: (i) patents and technologies (we believe Synaptics possesses an extensive portfolio of intellectual property rights relating to touch products); (ii) scale of production (evidenced by its high sales volume) and (iii) established customer relationships (Synaptics' customers include major consumer electronics brands).

Synaptics' business includes developing and supplying custom-designed human interface solutions. Its target markets consist of the PC market and digital lifestyle products market which includes mobile smartphones and feature phones, portable digital music and video players. Synaptics' products include touch pads, touch buttons and touch screen products.

As disclosed in Synaptics Annual Report, Synaptics' suppliers include three semiconductor manufacturers, which produce technical components of the touch products, package and test processors, which further process and package the technical components; and various contract manufacturers, which assemble the consigned components to produce touch products. Synaptics engages contract manufacturers mainly in China, Taiwan and Thailand for the production of its products and components based on rolling forecasted production requirements with no long-term agreement.

Risks faced by Synaptics

As disclosed in the Synaptics Annual Report, Synaptics faces a number of risks, including the following:

- (1) Synaptics derives a very substantial portion of its revenue from the sale of touch products for notebook computers, and such products accounted for approximately 57% of its net revenue for the fiscal year 2009. Any weakening of demand in the notebook and PC market will cause harm to its business and financial conditions.
- (2) As Synaptics does not sell directly to retail consumers, it has no control over the manufacturing, distribution, pricing and market acceptance of the end products which incorporate its touch products. The Synaptics' sales will decrease if its customers in turn do not achieve commercial success in selling such end products to consumers.
- (3) Synaptics relies on the purchase of its proprietary ICs from designated IC suppliers and contract manufacturers are then consigned with the ICs for assembly. Should the supply of

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these requisite ICs becomes unavailable, the operations of Synaptics may be adversely affected.

- (4) Synaptics' business could be harmed if its products become less competitive or outdated as a result of technological breakthroughs that allow a new interface solution to displace its touch product solutions and its touch pad products may become obsolete.

For details, please refer to the section headed "Risks Factors – Risks Relating to Our Group – We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three years ended 31 December 2009, whose business and operations could have material and adverse effects on our Group's business operations and financial results" of this prospectus.

Relationship with Synaptics

History with Synaptics

We commenced our touch pad business with Synaptics in 1998. Save and except for the ongoing business relationship between Synaptics and our Group, Synaptics has no past or present relationship (business or otherwise) with our Group, our Controlling Shareholders, our Directors and their respective associates.

We have maintained a long-term business relationship with Synaptics for over 10 years, during which we have relied on Synaptics for a significant source of our revenue, its patents and technologies. One of the reasons for maintaining this reliance is that Synaptics is a global leader in touch pad sales in terms of revenue and has a first-mover advantage in terms of touch product technologies.

Contractual arrangement with Synaptics

Our Group has established over a decade's course of dealings with Synaptics. We have not in the past, entered into any formal long-term agreement to govern our relationship but have relied instead on individual purchase orders, rolling forecasts and work instructions placed by Synaptics from time to time. Our practice of not having any formal long-term agreement with Synaptics is adopted based on the following considerations:

- (a) it is our practice to conduct sales with Synaptics based on purchase orders and rolling forecasts, which are non-binding in nature. Our Directors believe that such practice is in line with business practices of other manufacturing services providers in the electronics industry.;
- (b) Our business partnership with Synaptics without a long-term binding agreement offers us with the flexibility in our operations to cater for dynamic changes in the electronics industry such as changes in customer demand and technologies; and
- (c) most of our production facilities, namely, the SMT lines and COB/COF lines, are standard manufacturing equipment in the electronics industry and only minor adjustments, which could be completed in a reasonably short period of time with nominal costs, would be

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required to accommodate other specific requirements from other customers. In addition, our production staff will only have to attend brief training sessions and can be trained up within a reasonably short period of time at nominal costs.

Although we do not have a formal long-term agreement with Synaptics restricting us from providing similar manufacturing services to others, it is our practice not to provide similar services to competitors of Synaptics. If technically we cease our business relationship with Synaptics, and we decide to produce touch products for other industry players, there may be a material adverse impact on our market position and financial conditions if we were unable to secure a similar level of orders from other industry players. For further details on the risks of the competition that we face, please refer to the sections headed “Risk Factors – Risks Relating to Our Group – We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three years ended 31 December 2009, whose business and operations could have material and adverse effects on our Group’s business operations and financial results”, “Risk Factors – Risks Relating to our Group – Our products contain components or otherwise involve registered patents not owned by us”, “Risk Factors – Risks Relating to our Group – Patents, technologies and software relevant to our products may infringe third parties’ intellectual property rights” and “Risk Factors – Risks Relating to Our Group – Our business will be adversely affected if the relevant patents of our customers expire or otherwise become unavailable” in this prospectus.

Valued business partner and mutual reliance

During our long-term course of dealings, our Group has offered continuous support and contribution to Synaptics as a valued business partner and the parties have developed a mutual reliance in terms of sales and cost effectiveness.

On the one hand, our Group has attained a mass volume of production, enabling Synaptics to become a leading provider of notebook touch pads by volume. On the other hand, Synaptics has benefited from our Group’s lower cost structure and quality products. Our Directors believe that if Synaptics was to commence business relationship with a new touch pad manufacturer, the higher cost structure of the new touch pad manufacturer may adversely impact the profit margin of Synaptics. Our Directors believe that it would also be difficult for other touch pad manufacturers to achieve our production capacity within a short period of time.

According to the Synaptics Annual Report, its cost of revenue for each of the three fiscal years ended 30 June 2007 to 30 June 2009 was approximately US\$160.9 million, US\$213.6 million and US\$281.8 million respectively. During the three years ended 31 December 2009, approximately HK\$629.6 million, HK\$741.6 million and HK\$705.2 million (equivalent to approximately US\$80.7 million, US\$95.1 million and US\$90.4 million respectively) of our Group’s revenue was attributed to Synaptics respectively. Based on these financial figures as a point of reference only, we believe that Synaptics relies on our Group as a key contract manufacturing provider. Though it should be noted that (i) since the financial year of Synaptics ends on 30 June whereas the financial year of our Group ends on 31 December, the financial figures quoted above are not directly comparable; (ii) as the breakdown of Synaptics’ cost of revenue is not publicly available, its total purchases of capacitive touch products is unknown and (iii) the accounting standards and principles of Synaptics and our Group are different. As such, the above figures are for illustration purposes only and should not be unduly relied upon.

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According to the Synaptics Annual Report, Synaptics utilises contract manufacturers for all of its production requirements. Moreover, Synaptics does not have long-term agreements with any of its contract manufacturers that guarantee production capacity, prices, lead times or delivery schedules. This strategy of relying on these contract manufacturers exposes Synaptics to vulnerability owing to its dependence on few sources of supply but our Directors believe that having no long-term agreements with its contract manufacturers on the other hand offers Synaptics with the flexibility of establishing relationship with other suppliers to reduce its dependence on any one source of supply. These contract manufacturers also perform services for numerous companies other than Synaptics. The Synaptics Annual Report provides that the process of qualifying new contract manufacturers by Synaptics is time consuming and might result in unforeseen manufacturing and operational problems. The Synaptics Annual Report further provides that any loss of relationships by Synaptics with its contract manufacturers or assemblers or their inability to conduct their manufacturing and assembly services for Synaptics as anticipated in terms of cost, quality and timeliness could adversely affect Synaptics' ability to fill customer orders with required delivery, quality and performance requirements. Should the above occur, this would result in a decline in revenue which would in turn harm Synaptics' business.

Our Group ships the manufactured products directly to Synaptics' customers. During the years from 2004 to 2009, our Group sold approximately 306.0 million touch pads in total. According to the iSuppli Touch Report, during the same period, global capacitive touch pad unit shipments for the notebook computers were estimated to be approximately 579.0 million, and the global shipments for notebook computers were estimated to be approximately 578.2 million, respectively. For the year ended 31 December 2007 and 2008, the global touch pad unit shipments for notebook computers were approximately 103.6 million and 139.8 million respectively, also according to the iSuppli Touch Report. Given that our Group is one of the largest touch pad manufacturers for notebook computers in the world by volume, Synaptics may have difficulty in securing supply from other touch pad manufacturers within a short period of time to satisfy the demand of its customers should it cease its business relationship with our Group.

Synaptics is an Independent Third Party, with which we conduct business at arms' length basis. Despite the parties' independence and the lack of any formal long-term commitment, our Group has remained as a key contract manufacturing provider of Synaptics for over 10 years and has accounted for a major portion of Synaptics' sales. Our Directors consider that the main reasons for our Group remaining as Synaptics' key contract manufacturing provider are the Group's cost effectiveness and quality advantage. As the market leading vendor of touch pads, Synaptics has chosen our Group as its valued business partner amongst our Group's other competitors. These all add up to evidence our Group's importance to Synaptics.

Reliance on Synaptics – A Decreasing Trend

Sales Concentration

We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our revenue respectively for each of the three years ended 31 December 2009. For the fourth quarter of the year ended 31 December 2009, sales to Synaptics accounted for approximately 60.5% of our revenue. Our business and financial results rely on, amongst other factors, the continuation of orders and the quantity of orders placed by Synaptics.

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Our Group believes that Synaptics' leading position in the touch pad industry was mainly due to (a) Synaptics' first-mover advantage in the touch pad industry and Synaptics has since for a number of years, been leading the touch pad industry (b) the fact that the cost of touch pads is relatively minimal when compared with the value of notebook computers, the system-integrators, i.e. the ODMs/OEMs of notebook computers and Synaptics as a market leader has customarily established long-standing relationships with consumer electronics and continue with such arrangement and (c) its scale of production.

With our active efforts to diversify our product mix during the Track Record Period and in particular, the year ended 31 December 2009, percentage of our total revenue attributable to Synaptics has decreased.

Please refer to the section headed "Risk Factors – Risks Relating to Our Group – We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three years ended 31 December 2009, whose business and operations could have material and adverse effects on our Group's business operations and financial results" in this prospectus.

Qualification certifications by Synaptics' customers

Although our Group's indirect sale of touch products to ODMs/OEMs of notebook computers and other consumer electronics are conducted through Synaptics, in order to ensure that their specifications and expectations are met, we have, in the Track Record Period, worked closely with them and have obtained qualification certificates directly from a range of such ODM/OEMs and consumer electronics brands which utilised touch products we manufactured. The qualification process is a cost and time-consuming process, which presents a market entry barrier for potential competing touch product manufacturers and impediment for Synaptics to turn to alternative manufacturing services providers.

"Qualification" is a process which our Group's touch products, production facilities and production staff are audited by the ODMs/OEMs of notebook computers and consumer electronics and other end customers of the supply chain, being consumer electronics brands, to ensure that their specific requirements from technical and design specifications, work procedures, product quality to factory environment, inventory management and staff training are satisfied. In this process, our Group is given tailored specifications from the relevant end customers of the supply chain and upon which our Group works closely with their audit team and Synaptics to make adjustments and improvements in order to meet such requirements. Some end customers also carry out regular reviews and audits following initial qualifications. In the course of routine production, we are in regular contact with the relevant ODMs/OEMs of notebook computers and end customers for purposes of regular audits and improvement plans.

Throughout the past decade, we have received qualifications from the ODMs/OEMs of notebook computers and consumer electronics, and end customers of the touch product supply chain. We believe that Synaptics may not terminate its engagement of our Group's contract manufacturing services without first consulting its customers. Given that (a) the qualification process requires considerable time and costs to complete, (b) the cost of a touch pad is relatively low when compared with the value of a notebook computer, (c) the fact that our Group has been in the touch pad industry for more than 10 years and (d) our Group's production process and quality products have satisfied

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design specifications and other production requirements of Synaptics' customers, our Directors believe that it is unlikely that Synaptics' customers would require Synaptics to cease its engagement of our Group.

Direct delivery to ODMs/OEMs of notebook computers and end customers of supply chain

In addition to qualification process, our Group has also been directly delivering our touch products to ODMs/OEMs of notebook computers and the end customers of the supply chain.

Consignment of ICs and provision of other materials and work instructions

In order to ensure our products satisfy Synaptics' technical and functional requirements and to protect its proprietary technology and technical know-how, in line with the practice of the electronics manufacturing service industry, we have a non-exclusive, non-transferable and royalty-free license agreement with Synaptics, which is solely for use in the production of touch products for Synaptics. The consigned ICs are shipped to us directly from the designated IC suppliers and payment for the ICs is settled by Synaptics directly with its IC suppliers. Synaptics also provides us with designs, drawings, specifications and software specific for the production and testing of its touch products, which are not generally applicable to all touch products in the market.

With the provision of these components and materials, we conduct the production process of touch pads for Synaptics, which mainly involves the assembly of the ICs and other touch pad components onto the PCBs through SMT and COB processes, circuit testing for connectivity and application testing for functionality.

Our Directors believe that consignment is widely and generally adopted in the electronics manufacturing industry. It is also common for electronics manufacturing services providers to share and use intellectual property rights of their customers in the process of providing manufacturing services. Over the Track Record Period, we did not record these components and materials provided by Synaptics in our accounting records.

Although ICs sourced from different IC suppliers, including those from Synaptics, contain certain proprietary rights, our Directors believe that they generally perform similar functions and are therefore close substitutes of each other. Other than ICs consigned by Synaptics to our Group, there are ICs from other IC suppliers readily available for sale in the market. In terms of mechanical constraints, the use of ICs from other IC suppliers may involve minimal adjustments to the software relating to our production and machinery and certain testing procedures which our Group is capable of handling in-house.

We are committed to become the manufacturing partner of our customer rather than a mere sub-contractor and we are involved in a series of engineering, procurement, assembly and logistics processes in the course of our production. We provide suggestions to our customer such as PCB modifications, use of alternative components and component positioning with the aim of achieving higher production efficiency and cost advantages. In terms of procurement, there are other key components of touch products, such as connectors, PCBs and mylars, which instead of being provided or consigned by our customer, we source from suppliers and distributors in the market.

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With regards to the assembly of touch pads, we apply our production know-how and experience to satisfy the requirements of our customer.

Synaptics has also specifically requested us to acquire certain testing equipment during the Track Record Period for testing of capacitive touch pads. Such equipment is however not tailored specifically for testing Synaptics' products and can be used to conduct testing of products manufactured for other customers if and when required with minor adjustments within a reasonably short period of time.

Patents and Technologies

Our touch products utilise capacitive touch technology. Synaptics possesses an extensive array of patents and technologies and its products rely a combination of technologies. Synaptics, according to the iSuppli Touch Report, has over 100 patents in force and over 80 applications pending in the United States, and many other patents registered or pending registration outside of the United States. These patents and patent applications relate to capacitive touch sensing and other technologies, such as customisable touch zones, edge motion and virtual scrolling. Its proprietary software is also protected by copyright laws and other trade secret laws. We have a non-exclusive, non-transferable and royalty-free license agreement with Synaptics authorising us to utilise its proprietary IC designs, drawings, specifications and software which incorporate its intellectual property rights solely for use in the production of touch products specific to Synaptics.

We do not have full information on the patents and technologies which are used and relevant to the production of touch products for Synaptics, nor the details of such patents (including the expiry dates of Synaptics' patents on relevant touch products). Our Directors believe that the lack of knowledge and/or ownership of the relevant patents and technologies in our touch pads does not affect the viability of our business, as our focus is on the provision of contract manufacturing services in the assembly of touch products with our added production know-how and experience.

As our production process mainly involves the assembly of the ICs and other touch products components onto the PCBs through SMT and COB processes, circuit testing for connectivity and application testing for functionality, knowledge of the patented technologies in respect of touch products is not a pre-requisite for our production process. Our Directors believe that our Group's main strength as a manufacturing services provider lies with our SMT/COB manufacturing capabilities which enable us to offer high quality products at competitive pricing and timeliness.

In the event that Synaptics terminates the license arrangement with us and ceases to have a business arrangement with us and accordingly its consigned IC drawings, specifications, tooling, work instructions become unavailable for our production of capacitive touch products, we could solicit business from other industry players and utilise the ICs, designs, drawings, specifications and software provided by such customers to continue our production of capacitive touch products. If technically we cease our business relationship with Synaptics, a global leader of touch pads and we decide to produce touch products for other industry players, there may be a material adverse impact on our market position and financial conditions if we were unable to secure similar level of orders from other customers.

For further details of the risks relating to our business, including the intellectual property rights which are not owned by us, please refer to the sections headed "Risk Factors – Risks Relating to Our Group – Our products contain components or otherwise involve registered patents not owned by us"

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and “Risk Factors – Risks Relating to our Group – Patents, technologies and software relevant to our products may infringe third parties’ intellectual property rights” and “Risk Factors – Risks Relating to Our Group – Our business will be adversely affected if the relevant patents of our customers expire or otherwise become unavailable” of this prospectus.

Transferability of experience and know-how

In the course of our production of touch products for Synaptics, we have been applying our production know-how and experience in SMT and COB production. In addition to strictly following our customers’ work instructions and specifications, we provide suggestions regarding PCB design modifications, use of alternative components and optimal component positioning to Synaptics regarding its product design with an aim of achieving higher manufacturing efficiency and cost advantage. We also have experience in controlling the production environment and product fitness.

Although during the Track Record Period, the production of capacitive touch products for Synaptics, remained our revenue driver and the bulk of our property, plant and equipment were committed to this effort, most of our production facilities, namely, the SMT lines and COB/COF lines, are standard manufacturing equipment in the electronics industry.

In relation to production facilities, only minor adjustments including changing production and testing software, conveying tooling and final assembly process, would be required to accommodate other specific requirements from other customers. The adjustments can be completed within a reasonably short period of time and at nominal costs. With regards to our production staff, as most of our production process is automated, they are mainly responsible for loading and off-loading assembly units, transporting finished products and conducting visual inspection. As such, our production staff will only have to attend brief training sessions and can be trained up within a reasonably short period of time at nominal cost.

In the event that Synaptics reduces its sales orders or if we were to cease our business relationship with Synaptics in the future, we believe that by utilising our production know-how and industry experience, in particular in relation to SMT/COB process, with other customers’ specifications and work instructions, we are technically capable of producing touch products for other customers by utilising ICs from other sources readily available in the market, as well as other electronics products, the production of which involves SMT/COB processes.

Please refer to the section headed “Risk Factors – Risks Relating to Our Group – We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three years ended 31 December 2009, whose business and operations could have material and adverse effects on our Group’s business operations and financial results” in this prospectus.

Product life cycle and risks of obsolescence

According to the iSuppli Touch Report, although touch pad have existed for more than 10 years with switching of technology from resistive technology to capacitive touch technology, the number of touch pad products is still estimated to grow and the overall market size of capacitive touch pads will further increase to approximately 775 million units in 2013 from 379 million units in 2009 representing a CAGR of approximately 19.6%. For touch screen products, according to DisplaySearch, shipments of touch screen modules are expected to increase to approximately 1.4 billion units by 2015 from approximately 483 million units in 2009, representing a CAGR of

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approximately 16.9%, which is approximately 3.4 times faster than the growth of the display industry. Based on such estimated growth rates, our Directors believe that the product life-cycles of touch pads and touch screen products are at a growth stage and they anticipate the overall market size to increase in the coming years.

The markets for both capacitive touch pads and touch screens are estimated to continue to grow at a CAGR of double digits in the coming years, according to iSuppli Corporation. Our Directors believe that the capacitive touch pads market and touch screen market are two different markets with different price profiles, in which the touch pad modules and touch screen modules can be used in different electronics products. (Touch pads are mainly used in inter alia, notebook computers and multi-media players, whilst touch screens can be applied to mobile phones, television and desktop PC monitors.) Our Directors do not believe that the market of capacitive touch pads will be replaced by touch screen modules in the foreseeable future.

In the unlikely event that capacitive touch pads are replaced by touch screen products (which our Group also possesses the requisite manufacturing capacity) or other products in the near future, by utilising the production know-how and experience in SMT and COB production, we aim to minimise such risk by continuing our strategy of product diversification. For details, please refer to the section headed “Business – Production – Production facilities” in this prospectus. Please also refer to “Risk Factors – Risk relating to our Group – We may not be able to enhance our existing products or production process to match the rapid pace of technological development” in this prospectus.

Our Directors do not consider our Group to be subject to the risk of obsolescence as we base our production on the volume of orders placed by customers and hence there is no material inventory of finished products (other than temporary storage prior to delivery to customers).

Our Alternative Business Model/Diversification and Contingency Plan

Our Group has maintained a long-term business relationship with Synaptics for over 10 years and has relied on Synaptics for a significant source of revenue. We have shared the patents and technologies of Synaptics for the production of its touch pads.

Despite our relationship with Synaptics as described above, which we expect to continue, our Group, for reasons stated in this section, believe that it has the ability to sell directly to ODM/OEMs of notebook computers and consumer electronics and end customer of the touch pad supply chain in practice. The historical sales reliance of our Group on Synaptics brings along limited risks on its business model and in the interest of the long-term business relationship with Synaptics, our Group has not in the past actively explored the possibility of direct sales to Synaptics’ customers as an alternative business model. In the interest of preserving its long-term business relationship with Synaptics, while our Group is not obliged to continue its current business arrangements with Synaptics, our Group has not and does not intend to deviate from such business model.

Our Directors also anticipate that the significance and proportion of revenue to be derived from Synaptics will gradually decrease through our diversified product mix, including the expansion in the production of wireless charging devices, the capitalisation of growth in fingerprint biometric

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devices and the sales of plasma street lamps. As these three products carry higher gross profit margins (approximately 29.8%, 42.2% and 37.9% in the year ended 31 December 2009, respectively) when compared to capacitive touch products (approximately 27.6% in the year ended 31 December 2009), these products may contribute to the increase of our overall gross profit margins. For details of the respective revenue and gross profit margins of our products, please refer to the section headed “Financial Information” in this prospectus.

In the event that our business relationship ceases with Synaptics, we would rely on our ongoing product diversification plan for sustaining our business. Over the Track Record Period, we have expanded into the assembly of fingerprint biometric devices, wireless charging devices, plasma lighting products and various other automotive and medical devices. Our wireless charging devices have accounted for approximately 11.5% of our revenue for the year ended 31 December 2009 and our Directors expect the wireless charging business segment to account for an increasingly significant portion of our revenue going forward. We have also developed our R&D capability over the Track Record Period for development of a series of new products and applications.

For details of our future plans, please also refer to the section headed “Business Overview – Strategies and Future Plans” in this prospectus.